

INTEROFFICE MEMO



County of San Bernardino

DATE November 14, 2006

PHONE 387-4532

FROM **NORMAN A. KANOLD**, Assistant County Administrator
Public and Support Services Group
County Administrative Office

TO **KATHLEEN ROLLINGS-MCDONALD**
Executive Officer, LAFCO

SUBJECT **COUNTY FIRE REORGANIZATION – ADDITIONAL BUDGETARY INFORMATION**

The following responses (**in bold**) are provided with respect to the list of questions outlined in your 10/24/06 email correspondence.

As mentioned in my 10/3/06 transmittal memo, please keep in mind that our task was to convert the thirty two (32) individual Board-approved 2006-07 Proposed Budgets into their respective regional improvement district or special tax improvement district budgets as they might appear after final approval of the reorganization. As such, there are some anomalies that appear in these presented budgets that would otherwise not occur in future budgets presented for Board adoption under the reorganized district budget format. As an example, many of the transfers/reimbursements will be automatically integrated within the regional budgets in the future; whereas, they are presented at this time in a fashion that depicts the consolidation of several "stand-alone" district budgets that contain these accounting provisions.

1. To be sure, the budget information provided in the response submitted to LAFCO on June 13, 2006, is to be discarded and replaced with the materials submitted on October 4th.

Response: Yes, because these revised October 4th budget worksheets replace those budget materials provided to you on June 12, 2006 in response to section 2(e) of your questions.

2. The Table of Contents submitted has no page numbers assigned to the components. If you can forward an electronic copy of this document we can update it to reflect the page designations.

Response: The electronic version of the revised Table of Contents has been sent to you by County Fire.

3. There are a number of acronyms used in these documents. It would be helpful if a glossary of these acronyms could be provided with a definition of their meaning.

Response:

PSE – Public Service Employee (extra help staffing)

ISD – Information Services Department (a County department)

UPS – United Parcel Service (mail service)

DC's – Division Chiefs (Chief Officer positions at County Fire, report to Assistant Chief's)

BC's – Battalion Chiefs (Chief Officer positions at County Fire, report to DC's)

MIS/IS – Information Services (County Fire data processing)

LT's – Limited Term Firefighters (extra help staffing)

CFD – Community Facilities District (bond financing)

NRCS – National Resource Conservation Service (fed. grant funds)

HHW – Household Hazardous Waste (a program within the County Fire Hazmat Division)

LOP – Local Oversight Program (a program within the County Fire Hazmat Division)

4. Section IV, under Tab #3 for the parent district – identified as "Activity – Fire Administration":

- a. First page of this section identifies a Proposed Fund Balance of \$1,936,142. There is no identification in the following documents as to where this revenue is anticipated to come from – is it fund balance for CSA 70 from prior year or a combination of agencies? This revenue source needs to be identified.

Response: It is the fund balance amount that was approved by the Board for the 2006-07 CSA 70 Proposed Budget. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- b. Third page of this section under Appropriations:

- i. Transfers Out – identifies an item for "Hesperia LT reimbursement", but does not identify where this is transferred to.

Response: Revenue from the City of Hesperia is received in object code #9800 of the Fire Administration (Fire Admin) budget, and a portion is transferred out from object code #5010 of the Fire Admin budget to the North Desert Improvement District (NDID) budget as a reimbursement for LT expenses for Hesperia that are incurred by the NDID budget.

- ii. Operating Transfers Out under the column heading "notes" identifies that Transfers are being processed to CSA 38, Lucerne, Yucca and Wrightwood for pass through funding. However, under this reorganization there would be no CSA 38 and the revenue stream for Lucerne, Yucca and Wrightwood would stand on their own. Please clarify this item.

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Response: General Fund support under the current organizational structure flows through CSA 38 and CSA 70, as “operating transfers in” from the County, and is further distributed to other districts such as CSA 29 (Lucerne Valley), CSA 56 (Wrightwood) and the Yucca Valley Fire Protection District, as “operating transfers out” from these two districts. Under the proposed reorganization, General Fund support will be received in the Fire Admin budget as an operating transfer in, and would be further distributed to the NDID (for the Lucerne Valley, Wrightwood, and former CSA 38 areas within the NDID) and to the SDID (for the former Yucca Valley Fire Protection District area and former CSA 38 areas within the SDID), as an operating transfer out.

- c. Third page under Revenues – The first line identifies Taxes with the note indicating “Property Tax”. From what source are these revenues anticipated from? Please identify the District being changed (dissolved or revenues transferred) that make up this revenue stream.

Response: Under the current organizational structure, CSA 70 directly receives ad valorem property taxes on a countywide basis to fund the administration of the County Fire Department. Under the proposed organizational structure, these same ad valorem property tax revenues will be tagged accordingly and deposited into a special budget within the County’s General Fund, and then redistributed back to the Fire Admin budget as outlined on page # 40 of the Plan for Service section of the application. The revenues received from this will continue to be used for funding administration activities of the Districts, which has a beneficial impact for all areas of the County.

5. Tab #4 – North Desert Improvement District:

- a. First page of this section identifies a Fund balance of \$3,034,052. However, there is no identification in the documents as to the source of this revenue. Please provide a description of the Districts which contribute to the Fund Balance and their respective contributions.

Response: It is the collective fund balance amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the NDID Description of Major Services section. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- b. Third page, Appropriations – Reimbursements – under the column heading “notes” indicates payments from CSA 56 Wrightwood, CSA 29 Lucerne and Hesperia for LT. However, CSA 56 and CSA 29 fire functions are to be dissolved in this action so the reimbursement issue is unclear. Since the service provision for Hesperia is by contract, wouldn’t this payment be more appropriately identified under Contract payments in the revenue section?

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Response: Under the current organizational structure, CSA 38 employs and pays for all LT's, and charges back each participating district (i.e. CSA 56, CSA 29, and CSA 70 for the Hesperia fire services contract) for its share of the direct cost. The CSA 38 budget historically reflects appropriation authority within Salaries/Benefits to pay for the LT's and reflects reimbursements as a cost offset from participating districts. The NDID reimbursement category represents an allocation of the current CSA 38 reimbursements for LT's from related participating districts as referenced previously. Revenue from the City of Hesperia is received in object code #9800 (contract payments) of the Fire Administration (Fire Admin) budget because it is currently received in the CSA 70 budget that would be consolidated into the Fire Admin budget.

c. Third page, Revenues –

- i. First line, Account 8015 – please identify the specific sources of property tax revenues for this improvement district.

Response: It is the collective property tax amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the NDID Description of Major Services section. Page #42 of the Plan for Services section of the application describes the conversion process.

- ii. Account 9800 – Contract payments – the notes identify this is from the City of Adelanto and LA County. Please identify the contract amounts for each category and what the payments from LA County are for. There is no mention in this line item regarding the contract funds from the Hesperia Fire Protection District to provide service. Please provide this information.

Response: Approximately \$35,000 is collected annually from the County of Los Angeles in return for first response services provided by County Fire to the LA County area around the Mountain High Ski Resort in Wrightwood. County Fire receives contractual revenue of approximately \$2,045,000 from the City of Adelanto in return for fire suppression services provided by County Fire.

Revenue from the City of Adelanto and from LA County was included within the CSA 38 and CSA 56 budgets respectively, which are consolidated into the NDID budget under the reorganization. Revenue from the City of Hesperia is received in object code #9800 of the Fire Administration (Fire Admin) budget, even though this was not mentioned in the description.

- iii. Account 9975 – Operating Transfers In – identifies a transfer in from Ambulance districts. Since these are being dissolved, please clarify this and identify the amount from each of the categories listed.

Response: Some of the Operating Transfers In are derived from the collective amount of ambulance fee revenue that was approved by the Board for the 2006-07 Proposed Budget with respect to the ambulance districts listed in the NDID Description of Major Services section, which is subsequently consolidated into the NDID budget. Page #42 of the Plan for Services section of the application briefly describes the consolidation process. Under the current organization, ambulance revenues are received in object code #9800 of the ambulance budgets, the majority of which are transferred as Operating Transfers Out to the respective parent Fire District budgets, and are received by the Fire District budgets as Operating Transfers In. The ambulance revenues are as follows: CSA 29 Ambulance (\$223,800), CSA 56 Ambulance (\$763,000), and CSA 82 SV-1 Ambulance (\$15,463). Attachment "A" has been created to further detail all Operating Transfers In and Operating Transfers Out.

6. Tab #5 – South Desert Improvement District:

- a. As noted for other items please provide a clarification of the Fund Balance listed on the first page.

Response: It is the collective fund balance amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the SDID Description of Major Services section. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- b. Third Page – Appropriations – Reimbursements – indicates payments from CSA 20 Joshua Tree. However, the reorganization will transfer the sum of the fire contract as a property tax revenue stream so it will no longer be a reimbursement. This line item identifies a payment from "Yucca Valley" but does not identify if this is the Town or the Fire District. Please clarify this information.

Response: Under the current organizational structure, CSA 20 is a multi-function district (park, fire, and street lighting powers) that collects ad valorem property taxes, which are in turn allocated to each of the functions. The fire-related allocation of property tax revenue is used to pay for the cost of contracting with CSA 38 for fire services in the Joshua Tree area. The SDID budget reflects the CSA 38 allocation of reimbursements from CSA 20 for fire services, and the CSA 20 share of fire-related property tax revenue. The reimbursement from "Yucca Valley" is received from the Yucca Valley Fire Protection District.

- c. Third Page – Revenues –

- i. First Line, Account 8015 – Please identify the sources of the property tax revenues.

Response: It is the collective property tax amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the SDID Description of Major Services section. Page #42 of the Plan for Services section of the application describes the conversion process.

- ii. Account 9800, Contract payments – Are there payments from the Town of Yucca Valley to be reported? If so, would they not appear in this line item?

Response: No, there are no contract payments from the Town of Yucca Valley. Services will be provided to the Town as a separate taxing area within the SDID, as with other former districts within the SDID.

- iii. Account 9975, Operating Transfers In, identifies a transfer in from Ambulance district. Since these are being dissolved, please clarify this and identify the amount from each of the categories listed.

Response: Some of the Operating Transfers In are derived from the collective amount of ambulance fee revenue that was approved by the Board for the 2006-07 Proposed Budget with respect to the ambulance districts listed in the SDID Description of Major Services section, which is subsequently consolidated into the SDID budget. Page #42 of the Plan for Services section of the application briefly describes the consolidation process. Under the current organization, ambulance revenues are received in object code #9800 of the ambulance budgets, the majority of which are transferred as Operating Transfers Out to the Fire District budgets, and are received by the Fire District budgets as Operating Transfers In. The ambulance revenues are as follows: Yucca Valley Ambulance (\$585,000). Attachment "A" has been created to further detail all Operating Transfers In and Operating Transfers Out.

7. Tab #6 – Mountain Improvement District:

- a. As noted for other items please provide a clarification of the Fund Balance listed on the first page.

Response: It is the collective fund balance amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the MID Description of Major Services section. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- b. Third Page – Appropriations:

- i. Transfers Out – This lists reimbursement to Parent District, while all other spreadsheets identify it as Reimbursement to Fire Administration. Please correct to reflect reimbursement.

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Response: Attached document has been corrected.

- ii. Reimbursements – indicates payments from CSA 53 Fawnskin, which should at a minimum, identify it as Improvement Zone B. However, the reorganization will transfer the sum of the fire contract as a property tax revenue stream so it will no longer be a reimbursement. This line item identifies a payment from “Lake Arrowhead for LTs”. Is this a reimbursement to the parent district from this improvement district? If so, shouldn't it be identified under Transfers Out listed above?

Response: Attached document has been corrected to reflect “CSA 53, Zone B”, and you are correct that once the reorganization is approved, this will be shown as property tax revenue to the MID. The Lake Arrowhead reimbursement is properly shown as a reimbursement. This is not a payment to the Fire Admin budget, but a reimbursement from the former Lake Arrowhead Fire Protection District to the MID for LT costs.

c. Third Page – Revenues –

- i. First Line, Account 8015 – Please identify the sources of the property tax revenues.

Response: It is the collective property tax amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the MID Description of Major Services section. Page #42 of the Plan for Services section of the application describes the conversion process.

- ii. Account 9975, Operating Transfers In, identifies a transfer in from Ambulance district. Since these are being dissolved, please clarify.

Response: Some of the Operating Transfers In are derived from the collective amount of ambulance fee revenue that was approved by the Board for the 2006-07 Proposed Budget with respect to the ambulance districts listed in the MID Description of Major Services section, which is subsequently consolidated into the MID budget. Page #42 of the Plan for Services section of the application briefly describes the consolidation process. Under the current organization, ambulance revenues are received in object code #9800 of the ambulance budgets, the majority of which are transferred as Operating Transfers Out to the Fire District budgets, and are received by the Fire District budgets as Operating Transfers In. The ambulance revenues are as follows: Lake Arrowhead Ambulance (\$567,000). Attachment “A” has been created to further detail all Operating Transfers In and Operating Transfers Out.

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8. Tab #7 – Valley Improvement District:

- a. As noted for other items please provide a clarification of the Fund Balance listed on the first page, including a description of the district sources.

Response: It is the collective fund balance amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the VID Description of Major Services section. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- b. Third Page – Revenues –

- i. First Line, Account 8015 – Please identify the sources of the property tax revenues.

Response: It is the collective property tax amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the VID Description of Major Services section. Page #42 of the Plan for Services section of the application describes the conversion process.

- ii. Account 9800, Other Services – please define what the California Speedway payments are for. Is it a contract for services?

Response: The \$35,000 represents reimbursement from the California Speedway to County Fire for fire services rendered during California Speedway events.

- iii. Account 9970, Other Revenue – are these revenues for the paramedic program from the City of Fontana or some other source? Please clarify.

Response: These revenues are received from the City of Fontana under an approved contract with the City for its share of paramedic program costs for County Fire paramedic service to city areas.

- iv. Account 9975, Operating Transfers In, identifies a transfer in from Kaiser CFD. Doesn't the Consolidated Fire District administer this CFD, so it would be a direct receipt of special tax revenues? Please clarify and identify the amount from each of the categories listed.

Response: The Central Valley Fire Protection District budget currently receives \$150,000 in revenue as an Operating Transfer In from the Kaiser CFD fund, a separate fund, and this transfer would be consolidated into the VID budget. Attachment "A" has been created to further detail all Operating Transfers In.

9. Tab #8 – Special Tax Improvement Districts:

- a. Should be amended to include the newly-created Helendale/Silver Lakes District (CSA 70 FP-5).

Response: The district was formed on 4/18/06, but the special tax, which is the principal source of financing, was not approved until 8/1/06. This budget unit was not included in the 2006-07 Proposed Budget that was approved by the Board on 6/27/06 due to timing; so consequently, was not included as a part of the budget document transmittal of 10/3/06 that re-stated the 2006-07 Proposed Budget as it might appear following the proposed fire agency reorganization. Attached is a copy of the 2006-07 final budget for this district, which was approved by the Board on August 22, 2006.

- b. As noted for other items, please provide a clarification of the Fund Balance listed, including a description of the district sources.

Response: It is the collective fund balance amount that was approved by the Board for the 2006-07 Proposed Budget with respect to the districts listed in the Special Tax Improvement Districts Summary Description of Major Services section. Fund balance represents the carry-forward net financial result of prior year operations, and is technically classified as a financing source instead of a revenue source.

- c. Page Two, Services and Supplies, Account 2445 -- please clarify the contract payments made to cities. Please include the District involved and the City to which payment is made, and the contract amount.

Response: There are no direct contract payments made to cities from Special Tax Improvement District budgets. Under the current organizational structure, CSA 38 L - Highland and CSA 38 M - Yucaipa reflect appropriation authority within object code #2445 and corresponding revenue offsets (as reimbursement for services) within object code #9800 for the CSA 38 budget. CSA 38 in turn makes contract payments to the City of Highland and City of Yucaipa on behalf of CSA 38 L and CSA 38 M. Of the \$494,428 budgeted for this consolidated category, the following is the breakdown with respect to the contract payments: \$134,456 from CSA 38 L (PM-2 to Valley), and \$5,850 from CSA 38 M (PM-3 to Valley).

- d. Third Page, Reimbursements – Please clarify the reimbursement from road and park districts for personnel. Since fire functions are being removed from the many multi-function agencies, wouldn't this be revenue rather than a reimbursement?

Response: Under the current organizational structure, the CSA 70 Improvement Zone M (Fire - Wonder Valley) budget contains appropriation authority for a dedicated District Services Coordinator position that is also shared with the CSA 70 Improvement Zone M park and road functions. The park and road functional budgets reflect "transfers out" for their respective share of cost, and the fire

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district budget reflects a corresponding “reimbursement”. Consequently, it is presented as a reimbursement for inclusion in the Special Tax Improvement Districts Summary budget section. Following the reorganization, this “fair share” of costs will continue to be received by the SDID as a reimbursement from CSA 70, Zone M – road/park.

- e. Third Page – Revenues, the item notes lists property taxes as the revenue for Account 8015. However, aren't the special tax entities receiving special taxes and/or assessments? Please clarify.

Response: For clarity, please change the description from “property taxes” to “special taxes”. Object code # 8015 is technically defined as “current secured 1% general tax levy”; however, all of the special taxes with respect to the current relevant districts are consolidated within this budget category and are described generically as “property taxes”.

NAK/WT/dsa

Attachments

CC: Pat Dennen
Dan Wurl
Chiefs of Staff
Wayne Thies